



Stephanie Rawlings-Blake
Mayor

PLANNING COMMISSION

Wilbur E. "Bill" Cunningham, Chairman

STAFF REPORT



Thomas J. Stosur
Director

May 10, 2012

REQUEST: City Council Bill #12-0066/ Payments In Lieu of Taxes Ward 04, Section 10, Block 0620, Lots 4-51 "Lexington Square"

For the purpose of authorizing an economic development project to be known as "Lexington Square", in order that the Board of Estimates of Baltimore City (the "Board") may enter into a Payment in Lieu of Taxes Agreement with Lexington Square Partners, LLC, its successors or assigns (the "Developer"), for a project encompassing approximately (i) 296 residential market rate rental units and (ii) a structured parking facility containing approximately 650 parking spaces and related improvements; generally relating to payments in lieu of taxes for the Lexington Square development; and providing for a special effective date. (Eleventh District)

RECOMMENDATION: Approval

STAFF: Ivor A. Quashie

PETITIONER(S): Baltimore Development Corporation

OWNER: Mayor and City Council of Baltimore

SITE/ GENERAL AREA

Site Conditions:

The site is bounded by Fayette Street, Howard Street, Lexington Street and Park Avenue in the Market Center Urban Renewal Area.

General Area: The development site is located within the Westside Initiative area of the central business district in the four square block area known as the "Superblock".

HISTORY

In January 2007, the Board of Estimates (BOE) approved a Land Disposition Agreement (LDA) between the Mayor and City Council and Lexington Square Partners, LLC (Developer). In December 2011, the BOE approved the Third Amendment to the LDA extending the termination date to April 30, 2012. The Commissioner of Housing and Community Development (Commissioner) extended the termination date for an additional eight (8) month period until December 31, 2012.

CONFORMITY TO PLANS

The request conforms to the goals and objectives of the Baltimore City Comprehensive Master Plan, specifically:

LIVE Goal 1: Build human and social capital by strengthening neighborhoods.

- Objective 1: Expand Housing Choices for all Residents Strategy 6: Create and preserve mixed-income neighborhoods in Competitive, Emerging and Stable neighborhoods with targeted disposition of City properties.
- Objective 2: Strategically Redevelop Vacant Properties throughout the City;
- Objective 3: Maintain and create safe, clean and healthy neighborhoods. Strategy 1: Implement Crime Prevention through Environmental Design (CPTED) Standards.

LIVE Goal 2: Elevate the design and quality of the City's built environment.

- Objective 1: Improve design quality of Baltimore's built environment.

ANALYSIS

The Lexington Square Project is a mixed-use project comprising historic preservation and new construction including 296-market rate residential rental units, 217,444 square feet of retail space and a 650-space parking garage.

Lexington Square Partners, LLC consists of the following partners: Lexington Square Developers, LLC comprising ICS Baltimore LLC (Chera); BLDG Baltimore LLC (Goldman); Feil-Baltimore and Nakash-Lexington LLC (Nakash) and HAD Baltimore II, LLC, (Harold A. Dawson Company). The Harold A. Dawson Company is a minority-owned development company from Atlanta, Georgia that partnered with Bank of America on the Centerpoint Project.

The projected project cost is \$152.7 Million. The developer is contributing equity of \$30.963 Million or 20.3% of the project financing and will seek \$8.0 Million and \$7.832 Million in New Market and Historic Tax Credits (federal only), respectively. Sixty-five (65%) of the project will be financed with a \$99.275 Million construction loan. Eighty percent (80%) of the \$152.7 Million project is hard costs, which has been estimated using schematic design drawings. The \$122.346 Million in hard costs reflect new construction building costs predominantly, but there are significant expenditures for historic rehabilitation; parking garage construction and infrastructure; the Landlord's portion of the tenant build-out, and contingency.

The Developer requested a 20-Year PILOT for the residential apartments and its related parking garage. As the result of an analysis undertaken by the Baltimore Development Corporation (BDC), the project's debt service coverage ratios and equity returns would be unacceptable to its lenders and investors based on the projected cash flow of the project. Thus, "but for" the PILOT, this project could not go forth and the City would have to forego the economic benefits as identified below in the report as "Returns During Post Construction."

The 20-Year PILOT is comparable to the 20-year PILOT approved for Centerpoint (2005), Spinnaker Bay (2006), and The Fitzgerald (2010). It is five years longer than the 15-Year

PILOTs for Camden Court Apartments (2005), The Zenith Apartments (2008) and St. James Place Apartments (2009).

Listed below is the chart showing the % of incremental City real estate tax rebated for the requested PILOT:

Year 1	95%
Year 2	95%
Year 3	95%
Year 4	95%
Year 5	95%
Year 6	95%
Year 7	95%
Year 8	95%
Year 9	95%
Year 10	95%
Year 11	95%
Year 12	95%
Year 13	95%
Year 14	95%
Year 15	95%
Year 16	80%
Year 17	65%
Year 18	50%
Year 19	35%
Year 20	20%
Year 21	<i>Full Taxes resume</i>
	<i>Residential Apartments/ Garage PILOT</i>

Other aspects of the project will include profit sharing, which will be negotiated as a part of the PILOT Agreement. Also, the Developer will use the Enterprise Zone Tax Credit for the retail portion. Additionally, listed below are the projected benefits that the City will realize as a result of the Lexington Square project:

Returns During Post Construction

- 444 residents; 222 considered incremental.
- \$64,000 average household income.
- 652 Retail Jobs, 70% assumed to be City residents.
- Average Salary \$20,800 of jobs created.
- Piggyback Taxes: \$605,700 (with spin-off).
- Personal Property Taxes: \$510,300 in year one.
- Parking Taxes: \$121,100 (residential parking exempt).
- Energy/Telecom Taxes: \$98,900.
- Total City Taxes in Year 1: \$1,302,500.
- Total City Taxes in Year 5: 1,718,300.
- Total City Taxes in Year 10: \$2,109,200.

Staff has notified the following organizations and stakeholders: Baltimore Chapter of the NAACP, Associated Black Charities, The Urban League of Baltimore, The Baltimore Afro-American Newspaper, The Blacks in Wax Museum, Reginald F. Lewis Museum, Eubie Blake Cultural Center, Frederick Douglas-Isaac Myers Maritime Park and Museum, Meridian Management Group, Inc., Morgan State University - Office of Museums, Downtown Partnership of Baltimore, Inc., Market Center Merchants Association, Midtown Community Benefits District, Mt. Vernon Cultural District, West Lexington Street Merchants Association, and Councilman William Cole, IV representing the 11th district.

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